

[REDACTED] [REDACTED] [REDACTED]  
[REDACTED] [REDACTED] [REDACTED]  
[REDACTED]  
DEC 03 1980

Gentlemen:

Your application for recognition of exemption from Federal income tax as a organization described in section 501(c)(4) of the Internal Revenue Code of 1954 has been considered.

The information submitted discloses that you were incorporated under the Non-profit Corporation Act in the State of [REDACTED] on [REDACTED], to promote the health, safety, and welfare of owners of interest in [REDACTED], a retail business and office condominium community.

Your activities include providing maintenance of all general common elements in [REDACTED], setting assessments to be levied against the individual units, enforcing the covenants, restrictions and agreements, and paying taxes, electricity, water, gas, gardening and maintenance service for the common elements. You will maintain a reserve fund for the repairs and improvements to the common elements as well as providing hazard and liability insurance on them.

Every owner of a unit in [REDACTED] [REDACTED] [REDACTED] shall be a member. The rights of membership, except voting rights, are subject to the payment of annual and special assessments levied. The obligation of such assessments is imposed against each owner of and becomes a lien upon the unit against which such assessments are made.

Your support is from assessments against unit owners. Expenditures are for the management, maintenance, and care of the common areas of the project.

Section 501(c)(4) of the Code provides for the exemption from Federal income tax of civic leagues or organizations not organized for profit but operated exclusively for the promotion of social welfare.

[REDACTED] [REDACTED] [REDACTED]

[REDACTED]

Section 1.501(c)(4)-1(a)(2)(i) of the Income Tax Regulations provides that an organization is operated exclusively for the promotion of social welfare if it is primarily engaged in promoting in some way the common good and general welfare of the people of the community.

Revenue Ruling 74-17, 1974-1 Cumulative Bulletin 130, holds that an organization formed by the unit owners of a condominium housing project to provide for the management, maintenance, and care of the common areas of the project, with membership assessments paid by the unit owners does not qualify for exemption under section 501(c)(4) of the Code.

The concept of social welfare implies a service or program directed at benefiting the community rather than a private group of individuals. Like the organization described in Revenue Ruling 74-17, you are providing service to your members that they would otherwise have to provide for themselves. You are a private cooperative enterprise for the economic benefit and convenience of your members. Any benefits to the community through your operation of a shopping mall are not sufficient to meet the requirements of the regulation that you will be operated primarily for the common good and general welfare of the people of the community.

Accordingly, it is held that you are not entitled to exemption from Federal income tax under section 501(c)(4) of the Code, and you are required to file income tax returns on Form 1120.

If you do not agree with these conclusions, you may, within 30 days from the date of this letter, file in duplicate a brief of the facts, law, and argument that clearly sets forth your position. The enclosed Publication 892 gives instructions for filing a protest.

If we do not hear from you within 30 days, this letter will be our determination in the matter.

Sincerely,

[REDACTED]  
District Director

Enclosures:  
Publication 892